GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries and Commerce Department – Vendor State Support Package under "Backward Areas Ultra Mega Integrated Automobile Projects Policy and Industrial Development Policy 2015-20 to M/s Dong-A Hwasung Pvt Ltd. Associate Vendor of M/s KIA Motors India Private Limited (KMI) to set-up Ancillary unit at Gudipalli Village, Ananthapuramu District– Orders-Issued.

INDUSTRIES AND COMMERCE (P&I) DEPARTMENT

G.O.Ms.No. 16 Date:28-1-2019

Read the following:-

(1) G.O.Ms.No.40, Ind. & Com. (P&I) Dept., dt. 8.03.2017.
(2) GO.Ms. No.56 Inds. & Comm. (P&I) department 26-04-2017
(3) Memorandum of Understanding signed between GoAP and KMI, dated 27-4-2017.
(4) G.O.Ms.No.151 Ind. & Com. (Infra) Dept. dt.3-11-2017.
(5) State Investment Promotion Board meeting held on 15.02.2018.
(6) G.O.Ms.No.36 to 48 Ind. & Com. (P&I) Dept., dt. 17.03.2018 offering incentives to various KIA vendors/Ancillaries
(7) Letter received from M/s KIA Motors India Pvt Ltd on 21.06.2018 and representation of Dong-A Hwasung India Private Limited, dated 09.08.2018
(8) State Investment Promotion Committee meeting held on 06.11.2018.
(9) State Investment Promotion Board Meeting held on 12-11-2018.

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ORDER:

1) M/s Kia Motors India (P) Ltd., (KMI) proposes to set up car manufacturing facility, with initial installed capacity of 3,00,000 cars per annum, at Erramanchi Village, Ananthapuramu District with an investment USD 1.6 Billion together with its Associates over a period of seven (7) years as envisaged in the Policy with a potential to create employment opportunity for 4000 permanent employees and 7000 temporary employees. Two (2) more Associates /Vendors of KMI proposed to establish their units with an investment of USD 35 Million with a potential to create employment for 421 people units, in addition to the 16 approved Associates/Vendors of KMI with an investment of USD 737 Million with a potential to create employment for 6583 people.

2) M/s Dong-A Hwasung Pvt Ltd qualify as Associates/Ancillary suppliers to Ultra Mega Integrated Automobile Project i.e. KMI as per the Backward Areas Ultra Mega Integrated Automobile Projects Policy, as the vendors/associates undertaking to invest USD 5 Million over a period of 5 years, as envisaged in the Policy with a commitment for supplying not less than 50% of the production capacity to the mother plant for 10 years from their respective date of commercial Production. However, it was agreed to consider100% requirement of KMI for five years as an alternate option. The details of the investment and employment of Vendor are as tabulated below:

S. No	**Associate/ Vendor**	**Investment (USD Million)**	**Employment**	**Products**	**Capacity (Capable of manufacturing parts/providing services for production of following number of vehicles)**	**Turnover (USD Million) (Estimated Max/turnover 2021 assuming KMI producing 300,000 vehicles**
1)	M/s Dong-A Hwasung Pvt Ltd.	6.2	70	Rubber, Injection	3,00,000	62

3) In the references 7th read above, M/s KIA Motors India Pvt Ltd has requested for extending the following State Support Package to M/s Dong-A Hwasung Pvt Ltd., Vendor to enable them to take decision to set-up a facility:

(a) Period of incentives to be extended to 20 years.
(b) Reimbursement of Non creditable SGST on construction activities.
(c) One time training subsidy / grant.

(d) Power Supply Concession Rate @ fixed rate of Rs.3 per Unit for 20 years.

(e) Water Supply Concession Rate @ fixed rate of Rs.35 per ton/ KL for 20 years.

(f) The gap shall be provided as Capital Subsidy in equal annual instalments for 25 years.

(g) To allot 5.0 acres of land at Rs. 6.0 Lakh per acre.

(h) GOAP to provide access roads, service roads, rail over bridge storm water drainage, waste disposal site, electricity and water supply at its own cost.

(i) Exemption from Zoning regulations issued vide G.O.Ms.No.151 dated 3.11.2017.

4) The proposal was discussed in detail in State Investment Promotion Committee meeting held on 31.10.2018 and in State Investment Promotion Board meeting held on 12.11.2018. The State Investment Promotion Board decided to extend the incentives as provided to other Ancillaries/ Vendors/ Associates of KIA Motors to M/s Dong-A Hwasung Pvt Ltd and also recommended to sign a MoU with the company accordingly. However, non-fiscal support such as land concession and infrastructure & utilities etc. provided by the GoAP will not be considered as part of Eligible Fixed Assets of vendors and associates of KMI.

5) After careful consideration of the decisions of State Investment Promotion Board in the references 5th & 9th read above and the incentives offered to Kia Vendors in the G.Os. 6th read above, Government hereby extend the following fiscal incentives to M/s Dong-A Hwasung Pvt Ltd as was given to other KIA associates/vendors, subject to taking up fiscal incentives review after 3 years to assess actual financial implication to the Government based on the need and / or every 3 years.

a) To extend all incentives for a period of 20 years to enable the Associates /Vendors to recover 100% of the eligible fixed assets.

b) Reimbursement of Non-creditable SGST paid on procurement of works, contract services or other goods or services used for the construction of all manufacturing facility for 20 years from the date of commencement of Commercial Production.

c) Power Supply @ Rs.3.00 per kwh/unit for 20 years and the power cost reimbursement will be so regulated to ensure that power supply is made at a fixed cost of Rs.3.00 per unit over a period of 20 years from the Date of Commencement of Commercial Production. The power cost reimbursement provided over and above Rs.3.00 per Unit will be considered as an incentive for computation of eligible fixed assets.

d) Water Supply at fixed cost of Rs.35 per ton/KL for 20 years from the Date of Commencement of Commercial Production.

e) One time Training grant of Rs.10,000 per local person trained and employed.
f) To exempt Ammavarupalli and Gudipalli from the 10 KM prohibition zone notification issued vide G.O.Ms.No.151 Ind. & Com. (Infra) Dept. dt.3-11-2017, to enable KMI vendors and other automobile related industries to set up their units.
g) To provide 5 acres of land located at Site -B in KMI site @ Rs 6.00 Lakhs per acre.
h) To permit Vendors to utilize the Road over Bridge, Rail over bridge, waste disposal site being created for KMI.
i) To provide gap in incentives as per the projected estimates in the form of capital subsidy in equal annual instalments for 20 years. However, this is subject to actual performance of Vendors and Associates of KMI.
j) All other incentives as per Backward Area UMIAP Policy
k) Industries Department shall take-up Incentives review after 3 years to assess actual financial implication to the Government and subsequent reviews based on the need.
i) The actual disbursement of incentives to vendors/associates of KMI shall be subject to their compliance with the following performance conditions and necessary safeguards.

a) <u>Performance Conditions</u>

Sl. No.	**Indicator**	**Condition**
1	Investment Period	Five years from effective date (MOU Signing)
2	Committed investment	USD 6.2 Million Assets over 5 years
3	Committed employment	70
4	Actual Production Capacity (Project obligation)	50% of total capacity to KMI for 10 years or 3 Lakh units
5	Local employment	80% local employment
6	Review	<u>First Review in 3 years and subsequent reviews based on the need</u> □ Actual investment made □ Production capacity achieved □ Volume of sales achieved □ SGST/VAT accrued to the State □ Incentives paid □ Shortfall in incentives and capital subsidy to be paid

b) Safeguard Clauses

Sl. No.	Area	Coverage of clause
1	Accuracy of information provided by the Ultra Mega Project Proponent.	M/s Dong-A Hwasung Pvt Ltd recognizes that it is their responsibility for accuracy of information provided by the authorised representative of the Company to GoAP and GoAP shall not be responsible for independently verifying the accuracy of the Project Proponent's project information including investment details provided thereof. Any liability arising out of incorrect disclosure lies wholly with the Project Proponent
2	Delay in Project Commencement, Implementation & Commencement of Commercial Production by the Ultra Mega Project Proponent.	Any delay attributed in commencement of the project on account of delay on the part of Company, shall lead to cancellation of land allotment without prejudice to MoU terms & conditions including applicable G.O.'s and other Definitive Agreements. A penalty of an amount equivalent to prevailing SBI PLR shall be levied on the Project Proponent corresponding to time period of holding the land idle and/or delay in project implementation including commencement of commercial production.
3	Disbursement of Incentives equal to 100% of investment in eligible fixed assets.	Disbursement of incentives shall be made pro rata during the term of incentive period subject to the Project Proponent meeting their project obligations as defined in the MoU terms & conditions including applicable G.O.'s and other Definitive Agreements. The pro rata incentives to be paid to the Project Proponent shall not exceed 100% of investment in eligible fixed assets made up to that point of time.
4	Reconciliation of Incentives	The sum total of all incentives to be paid to the Project Proponent by whatever nomenclature defined, i.e., Power tariff subsidy, incentives etc., shall not exceed 100% of investment in eligible fixed assets as per the eligibility certificate granted from time to time subject to scrutiny of GoAP.

5	Incentive Amount	The Power tariff subsidy and other annual incentives shall be paid pro rata during the term of incentive period and shall not exceed 100% of investments in eligible fixed assets made up to that point of time. Any shortfall and/or excess outstanding shall be reconciled in the last quarter of every year.
6	Disentitlement of Incentives	Incentive amount to be paid to the Project Proponent shall be ascertained with reference to the value of eligible fixed assets as certified by customs authorities for imported goods , for locally procured goods as per commercial invoices filed under GST and accounted for in the books of accounts of the Project Proponent & certified by Statutory Auditors of the Project Proponent. The Project Proponent shall not be entitled to any incentive by whatever nomenclature if their project obligations are not fulfilled as per the MoU terms & conditions including applicable G.O.'s and other Definitive Agreements.
7	Pari-Passu Charge of Eligible Fixed Assets	GoAP shall have pari passu registered charge on all project related assets including land, building, plant & machinery etc. [hereinafter referred to as Eligible Fixed Assets] until the Project Proponent's obligations are fulfilled as per the MoU terms &conditions including applicable G.O.'s and other Definitive Agreements
8	Definitive Agreement	The Project Proponent shall enter into Definitive Agreements for all eligible incentives under the MoU and applicable G.Os from time to time with designated authority / departments of the GoAP. The Project Proponent shall not hold GoAP responsible for any delay in execution of these Definitive Agreements subject to MoU terms & conditions including applicable G.O.'s and other Definitive Agreements.

6) Government hereby direct the APIIC to identify land parcels for development of "South Korea City" close to the sites of KMI and their Vendors/ Associates i.e in Ammavarupalli and Gudipalli villages of Ananthapuramu district, in order to create an eco-system for attracting automobile industries and also to create infrastructure such as power supply, water supply, access roads, service roads, and storm water drainage upto the tie-in-point of the vendors of KMI coming up in Ammavaupalli and Gudipalli villages with an estimated cost of Rs.185.50 Cr, which include Roads (Rs.107.50 Cr); Water (Rs.37.80 Cr); and Power (Rs. 40.20 Cr).

7) The Commissioner of Industries, Vijayawada and VC & M.D, APIIC shall take necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT & CIP

To

The Commissioner of Industries, Andhra Pradesh, Hyderabad.
The VC&MD, APIIC Ltd., Vijaywada.
M/s Dong-A Hwasung Pvt Ltd through the Commissioner of Industries, A.P.
M/s. Kia Motors India Pvt. Ltd., through the Commissioner of Industries, A.P.
Copy to:
The Revenue (Lands) Dept.,.
The Revenue (CT) Dept.,
The PR& RD (PR) Department.
The MA& UD Department.
The H.M.& F.W. Department.
The Collector& District Magistrate, Ananthapuramu District.
The GM, DIC, Ananthapuramu District.
The Zonal Manager, APIIC, Ananthapuramu District
The EFS&T Dept., A.P. Secretariat.
The TR&B Dept., AP. Secretariat.
The Energy, I&I Dept., A.P. Secretariat.
The LET&F Dept., AP Secretariat.
The Water Resources Dept., AP. Secretariat.
The Finance (EBS-VIII) Department., AP. Secretariat.
The Law (H) Department., AP. Secretariat.
PS to Principal Secretary to CM, AP. Secretariat.
PS to Minister, Ind. & Com., AP Secretariat.
PS to Secretary to Govt. & CIP, Ind. & Com. Dept., A.P. Secretariat.
SF/SC.

// FORWARDED BY ORDER //

SECTION OFFICER